United Nations

Report of the Committee on Contributions

Sixty-first session (11-28 June 2001)

General Assembly

Official Records
Fifty-sixth Session
Supplement No. 11 (A/56/11)

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Contents

		Paragraphs	Page
I.	Attendance	1–2	1
II.	Terms of reference	3–4	1
III.	Application of Article 19 of the Charter	5–44	1
	A. Procedures for the application of Article 19	6–22	2
	B. Requests for exemption under Article 19	23–44	4
	1. Burundi	28–29	5
	2. Comoros	30–34	5
	3. Georgia	35–39	6
	4. The Republic of Moldova	40–44	8
IV.	Measures to encourage the timely, full and unconditional payment of assessed contributions	45–75	9
	A. General issues	46–49	9
	B. Specific measures	50–75	10
	1. Indexation of and interest on arrears	51–60	10
	2. Multi-year payment plans	61–63	12
	3. Early reimbursement of troop-contributing countries	64–66	13
	4. New assessed fund	67–68	13
	5. Further suggestions for measures to encourage the timely, full and unconditional payment of assessed contributions	69–75	13
V.	Methodology for the preparation of future scales of assessments	76–93	15
	A. Consequences of the sharply depressed levels of primary commodity prices in the international markets on commodity-dependent economies	79–80	15
	B. Socio-economic impact of hosting refugees	81–83	16
	C. National accounts data	84–85	16
	D. Conversion rates	86–93	17
VI.	Assessment of non-member States	94–97	18
VII.	Appeals by Members for a change of assessments	98–103	19
	A. United Arab Emirates	98–101	19
	B. Afghanistan	102–103	19

VIII. Other matters 104–108 20
A. Collection of contributions 104 20
B. Payment of contributions in currencies other than United States dollars 105–106 20
C. Supplementary reports 107 20
D. Date of next session 108 21

I. Attendance

1. The sixty-first session of the Committee on Contributions was held at United Nations Headquarters from 11 to 28 June 2001. The following members were present: Alvaro Gurgel de Alencar, Pieter Bierma, Petru Dumitriu, Ekorong A. Dong Paul, Henry S. Fox, Chinmaya R. Gharekhan, Bernardo Greiver, Henry Hanson-Hall, Ihor V. Humenny, Eduardo Iglesias, Gebhard B. Kandanga, David A. Leis, Sergei I. Mareyev, Angel Marrón, Hae-yun Park, Ugo Sessi, Kazuo Watanabe and Wu Gang.

2. The Committee elected Mr. Sessi as Chairman and Mr. Hanson-Hall as Vice-Chairman.

II. Terms of reference

3. The Committee conducted its work on the basis of its general mandate, as contained in rule 160 of the rules of procedure of the General Assembly; the original terms of reference of the Committee contained in chapter IX, section 2, paragraphs 13 and 14, of the report of the Preparatory Commission (PC/20) and in the report of the Fifth Committee (A/44), adopted during the first part of the first session of the General Assembly on 13 February 1946 (resolution 14 (I) A, para. 3); and the mandate contained in subsequent Assembly resolutions, including 46/221 B of 20 December 1991, 53/36 D of 18 December 1998, 54/237 B and C of 23 December 1999, 55/5 A of 26 October 2000 and 55/5 B and D of 23 December 2000, and Assembly decisions 55/473 A of 12 April 2001 and 55/473 B of 14 June 2001.

4. The Committee had before it the summary records of the Fifth Committee at the fifty-fifth session of the General Assembly relating to agenda item 122, entitled "Scale of assessments for the apportionment of the expenses of the United Nations" (A/C.5/55/SR.4, 5, 8, 11, 16, 43/Add.1, 52 and 57); the relevant reports of the Fifth Committee to the General Assembly (A/55/521 and Add.1-3); and the verbatim records of the 41st, 89th and 98th plenary meetings of the General Assembly at its fifty-fifth session (A/55/PV.41, 89 and 98).

III. Application of Article 19 of the Charter

5. The Committee recalled its general mandate, under rule 160 of the rules of procedure of the General Assembly, to advise the Assembly on the action to be taken with regard to the application of Article 19 of the Charter. It also recalled the specific mandate contained in General Assembly resolution 55/5 A concerning procedures for the application of Article 19 and the decisions in Assembly resolution 54/237 C regarding procedures for consideration of requests for exemption under Article 19. The Committee further recalled the results of its recent review of this subject, including at its fifty-eighth to sixtieth sessions and at its special session in 1999.[1]

A. Procedures for the application of Article 19

6. In its resolution 55/5 A, the General Assembly, inter alia:

> "5. *Requests* the Secretary-General, in order to ensure the sound financing of the Organization, to review the implications of the calculation of assessed contributions in arrears for the purpose of the application of Article 19 of the Charter at the beginning of each calendar year and at the beginning of the financial peacekeeping period on 1 July of each year, and to report thereon to the General Assembly at the first part of its resumed fifty-fifth session;
>
> 6. *Decides*, subject to the outcome of negotiations in the General Assembly on the report of the Secretary-General and the recommendations of the Committee on Contributions thereon, as requested in paragraph 5 above, at the main part of its fifty-sixth session and subject to further decision on its implementation by the General Assembly, to compare arrears with the amount actually assessed and payable for the preceding two full years for the purpose of the application of Article 19 of the Charter;".

7. During the resumed fifty-fifth session of the General Assembly, the Fifth Committee considered the report of the Secretary-General on the application of Article 19 of the Charter.[2] The Fifth Committee noted[3] that a large majority of delegations had expressed the view that it should defer taking a decision on the application of Article 19 of the Charter pending consideration by the Committee on Contributions at its forthcoming session of the report of the Secretary-General. The Committee on Contributions had the Secretary-General's report before it in the context of its review of procedures for the application of Article 19.

8. Some members questioned whether General Assembly resolution 55/5 A mandated the Committee to consider both changes proposed to the procedures for the application of Article 19, that is the change to a net to net comparison for the purpose of calculations for the application of Article 19 and biannual calculations of arrears for the application of Article 19. Other members recalled the Committee's general mandate under rule 160 of the rules of procedure of the General Assembly and considered that it was appropriate for the Committee to consider both proposed changes. Some members also felt that the proposed changes in the procedures for the application of Article 19 were closely related to the question of measures to encourage the timely, full and unconditional payment of assessed contributions. The Committee's consideration of this question is reflected in chapter IV below.

9. As regards the merits of the proposed changes to the procedures for the application of Article 19, some members felt that those changes would be in the interest of the Organization by encouraging fuller and more timely payment of assessed contributions. Other members did not favour the changes, since they felt that they would be more likely to increase the number of Member States that fall under the provisions of Article 19 and already have difficulties in paying their contributions in full and on time. Should the General Assembly decide to change the procedures for the application of Article 19, a number of members expressed a preference for implementation of the net to net comparison, although it was noted that such a change would not affect all Member States. A number of members felt that the decision on whether to proceed was ultimately political and that it properly rested with the General Assembly. There was general agreement, however, that it

was appropriate for the Committee to provide technical advice on the implementation of these changes should the General Assembly decide to proceed.

10. In this connection, a large number of members considered that implementation of the net to net comparison would be simpler than biannual calculations of arrears for the application of Article 19 and would be consistent with the idea of the gradual or step-by-step approach, recalling that the latter would require the revision of the Financial Regulations and Rules of the United Nations. There was general agreement that any changes decided on by the General Assembly should not be implemented immediately, with some members suggesting changes from the beginning of the next scale in 2004.

Conclusions and recommendations

11. The Committee recalled its review of issues related to procedures for the application of Article 19 at its fifty-eighth session in 1998.

12. The Committee considered the report of the Secretary-General concerning the procedures for the application of Article 19 of the Charter.[2] In that connection, it noted its mandate, contained in paragraph 6 of General Assembly resolution 55/5 A, to make recommendations thereon.

13. The Committee noted the decision of the General Assembly, in its resolution 55/5 A, with regard to comparing arrears with the amount actually assessed and payable for the preceding two full years for the purpose of the application of Article 19 of the Charter.

14. In this connection, the Committee recalled that, at its fifty-eighth session, it had been advised by the Office of Legal Affairs of the Secretariat that the current procedure, or what has become known as the gross to net comparison, was consistent with relevant decisions of the General Assembly, which, in their turn, were consistent with Article 19. It was also advised by the Office of Legal Affairs that the General Assembly could, by a resolution, and with or without changing the Financial Regulations of the United Nations, direct the Secretary-General to change the practice.

15. The Committee noted that, should the General Assembly take a further decision to implement its decision in resolution 55/5 A to change the current practice, this would, if payments followed the pattern in 2000, tend to increase the minimum amounts payable to avoid the application of Article 19 and thus bring more Member States under its provisions.

16. The Committee also noted the General Assembly's request to the Secretary-General, in paragraph 5 of its resolution 55/5 A, to review the implications of applying Article 19 twice annually rather than once as at present.

17. In this connection, the Committee recalled its earlier conclusion that such a change would require a revision of financial regulation 5.4 with regard to the definition of arrears. It also recalled its earlier conclusion that, should the General Assembly decide to adopt this change, the suitable definition of the "preceding two full years", specified in Article 19, should be the preceding 24 months.

18. The Committee further recalled its conclusion that biannual calculations of arrears for the application of Article 19 would reduce the maximum amount

accruable under Article 19 to an amount closer to the two years' contributions provided for in the Charter.

19. **The Committee noted that the illustrative information in the report of the Secretary-General supported its earlier conclusions. Should the General Assembly decide to move to biannual calculations of arrears for the application of Article 19, some countries might be prompted to pay their contributions to the United Nations earlier in the year. It also appeared, however, that more Member States might well fall under the provisions of Article 19, should the pattern of payments for 2000 remain unchanged.**

20. **The Committee noted that the two changes proposed would potentially affect a significant number of Member States. This could have consequences for decisions to be taken under Article 108 of the Charter. It could also result in an increase in the number and frequency of Member States requesting exemption under Article 19. Given the advisory role of the Committee on Contributions with regard to the application of Article 19 under rule 160 of the rules of procedure of the General Assembly, this change could also have implications for the Committee's timetable and programme of work.**

21. **In view of these considerations, the Committee recommended that, should the General Assembly decide to proceed with these changes in the current practices for the application of Article 19, the Assembly should consider implementing them gradually. It might, for example, begin by implementing the net to net comparison and subsequently consider fully the matter of biannual calculations of arrears for the application of Article 19, taking into account the results of the first change.**

22. **Should the General Assembly decide to proceed with either change, it might also wish to consider providing a grace period before implementation so as to give Member States adequate time to make any necessary adjustments.**

B. Requests for exemption under Article 19

23. The Committee recalled that, in its resolution 54/237 C, the General Assembly, inter alia, had urged all Member States in arrears requesting exemption under Article 19 to provide the fullest possible supporting information, including information on economic aggregates, government revenues and expenditure, foreign exchange resources, indebtedness, difficulties in meeting domestic or international financial obligations and any other information that might support the claim that failure to make necessary payments had been attributable to conditions beyond the control of the Member States. The Assembly also decided that requests for exemption under Article 19 must be submitted by Member States to the President of the General Assembly at least two weeks before the session of the Committee so as to ensure a complete review of the requests.

24. The Committee noted that, on the basis of the latter provision, requests for exemption under Article 19 should have been received by the President of the General Assembly by 25 May 2001 for consideration by the Committee at its sixty-first session. It also noted that an announcement to that effect was included in the *Journal of the United Nations* from 16 March to 25 May 2001. Three requests for exemption under Article 19 were received by the time specified in the resolution and

one subsequently. By comparison, in 2000, the Committee considered requests from seven Member States and, in 1999, eleven.

25. The Committee noted that two of the Member States requesting exemption under Article 19 had presented multi-year payment plans for the payment of their arrears and that the representative of a third had indicated that the possibility of presenting such a plan would be considered by his Government. The Committee considered the question of multi-year payment plans, pursuant to its decision at its sixtieth session[4] and its mandate under General Assembly resolution 55/5 A. The results of that review are reflected in chapter IV below.

26. In considering the three requests presented within the time frame specified by the General Assembly, the Committee had before it information provided by the three Member States and the Secretariat. It also heard the views of a representative of the Organization of African Unity (OAU) and representatives of relevant units of the Secretariat as well as representatives of the three Member States concerned.

27. In order to facilitate early action on these requests for exemption under Article 19, the Committee authorized its Chairman to convey to the General Assembly without delay the related section of its report.

1. Burundi

28. The Committee had before it the text of a letter dated 25 June 2001 from the President of the General Assembly to the Chairman of the Committee on Contributions, transmitting a letter dated 21 June 2001 from the Permanent Representative of Burundi to the United Nations, in which he requested an exemption under Article 19 of the Charter for Burundi.

29. **The Committee recalled that, in its resolution 54/237 C, the General Assembly decided that requests for exemption under Article 19 must be submitted by Member States to the President of the General Assembly at least two weeks before the Committee's session so as to ensure a complete review of the requests. The Committee therefore decided to take no action on Burundi's request.**

2. Comoros

30. The Committee had before it the text of a letter dated 23 May 2001 from the President of the General Assembly addressed to the Chairman of the Committee on Contributions, transmitting a letter dated 22 May 2001 from the Chargé d'affaires a.i. of the Permanent Mission of the Comoros to the United Nations. It also heard an oral representation by the Chargé d'affaires a.i. of the Permanent Mission of the Comoros to the United Nations.

31. In its written and oral representations, the Comoros pointed to the devastating social, political and economic impact on his country of the four-year long separatist crisis in Anjouan, one of the four islands of the Comoros. Not only had this crisis destroyed the country's fragile economy, it had also forced hundreds of Comorian citizens to flee from Anjouan to Grand Comore and Moheli. On 17 February 2001, following support and assistance from OAU and other interested parties, the Government of the Comoros and the separatist movement signed an agreement to end the crisis. The different parties have agreed on the creation of a new Comorian entity and a special commission was established to follow up and implement the

agreement. The Secretary-General of the United Nations has expressed support for the process, including the possibility of assistance for the forthcoming elections. The representative of Comoros also indicated that, despite the difficulties facing his country and as a symbol of its commitment to the United Nations, the Government had recently made a payment of over $68,000. As regards the possibility of the Comoros presenting a schedule for the payment of its arrears to the United Nations, he indicated that this would be considered by the new government.

32. The Committee recalled that the Comoros had been on the list of the least developed countries since 1977. The Committee noted the severe economic and social impact of the political problems that have beset the Comoros for a number of years. It also noted the more promising political background since the signing of the agreement earlier this year. In that context, the Committee was informed that OAU had suspended sanctions imposed on the Comoros following the coup d'état in 1999 and that they would be lifted following implementation of the recent agreements. Sanctions relating to the non-payment by the Comoros of arrears to OAU were a separate matter that could be addressed through agreement on a payments schedule. OAU had also appealed to other African countries and to the international community to provide assistance to the Comoros. In that context, the Committee noted the active interest of a number of countries and organizations and the possibility of the convening of a donors meeting for the Comoros.

33. The Committee welcomed the payment by the Comoros, the first since 1996. It also noted the indication that the future government would consider the possibility of a schedule of future payments. At the same time, it recognized the formidable problems that would face the country, even after the implementation of the political agreement.

34. **Accordingly, the Committee concluded that the failure of the Comoros to pay the full minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that the Comoros be permitted to vote until 30 June 2002.**

3. Georgia

35. The Committee had before it the text of a letter dated 5 February 2001 from the President of the General Assembly addressed to the Chairman of the Committee on Contributions, transmitting a letter dated 1 February 2001 from the Permanent Representative of Georgia to the United Nations, transmitting a letter dated 26 January 2001 from the Minister for Foreign Affairs of Georgia concerning its schedule of payments to the United Nations. The Committee also had before it the text of a letter dated 23 May 2001 from the President of the General Assembly addressed to the Chairman of the Committee on Contributions, transmitting a letter dated 22 May 2001 from the Permanent Representative of Georgia to the United Nations, which transmitted a letter dated 18 May 2001 from the Minister for Foreign Affairs of Georgia requesting an exemption under Article 19. In addition, the Committee had before it the text of a letter dated 13 June 2001 from the President of the General Assembly addressed to the Chairman of the Committee on Contributions, transmitting a letter dated 11 June 2001 from the Permanent Representative of Georgia to the United Nations, which forwarded information concerning the economic situation of his country. The Committee also heard an oral representation by the Deputy Minister for Foreign Affairs of Georgia.

36. In its written and oral representations, Georgia outlined the serious transitional challenges that it was facing. While the economy had experienced modest growth and structural reforms were proceeding, problems remained in a number of areas, including tax and customs administration. Weak government revenue performance led to increased arrears in core expenditures, including wages and pensions, and seriously restricted expenditures for health, education and the rehabilitation of infrastructure, which made conditions for investment and economic growth more difficult. The separatist problems in two regions had led to lawlessness and smuggling, which undermined the economy and government revenues. Economic problems, including the problem of internally displaced persons, had meant that 60 per cent of the population was below the poverty line. This situation, as pointed out by Georgia, had been exacerbated by a serious drought in 2001 and the effects of the earlier Russian economic crisis. In the longer run, favourable factors include the potential settlement of current conflicts, the planning for the construction of a major pipeline and other prospective projects in the energy and communication sectors.

37. In the meantime, however, Georgia was not able to pay all of its arrears to the United Nations. In this context, it recalled that, despite its serious problems, it had made significant payments to the United Nations since its admission. While it welcomed recent large reductions in its rate of assessment, it recalled that its initial rates of assessment following the dissolution of the former Union of Soviet Socialist Republics had been excessive. It reaffirmed its commitment to meeting its obligations to the United Nations and put forward the following revised schedule of payments to eliminate its arrears by 2007:

Year	*Percentage of arrears*	*Amount of repayment (United States dollars)*	
2001	10	711 549	plus 89 841
2002	10	711 549	plus contribution for the current year
2003	10	711 549	"
2004	15	1 067 324	"
2005	15	1 067 324	"
2006	20	1 423 094	"
2007	20	1 423 094	"
Total		**7 205 324**	plus contributions for 2001-2007

38. The Committee noted the serious continuing problems facing Georgia, including: the internal conflict; the effects of drought and the economic situation in the Russian Federation, a major trading partner; and energy shortages. It also noted Georgia's payment of $300,000 in May 2001 and welcomed its commitment to the steady reduction of its arrears to the United Nations. In this connection, it noted Georgia's proposed schedule of payments. It was informed that Georgia would keep the schedule under review and would increase its payments if this became possible. The Committee encouraged Georgia to do so.

39. **Based on its review of the information provided, the Committee concluded that the failure of Georgia to pay the full minimum amount necessary to avoid**

the application of Article 19 was due to conditions beyond its control. It therefore recommended that Georgia be permitted to vote until 30 June 2002.

4. The Republic of Moldova

40. The Committee had before it the text of a letter dated 24 May 2001 from the President of the General Assembly addressed to the Chairman of the Committee on Contributions, transmitting a letter dated 24 May 2001 from the Permanent Representative of the Republic of Moldova to the United Nations requesting an exemption under Article 19. It also had before it the text of a note dated 1 June 2001 from the Permanent Mission of the Republic of Moldova to the United Nations addressed to the secretariat of the Committee on Contributions, transmitting a presentation on its application under Article 19. It also heard an oral representation from a representative of the Republic of Moldova.

41. In its written and oral representations, the Republic of Moldova outlined the serious economic situation that it was facing. In addition to problems stemming from a process of structural and economic reforms in order to establish a basic framework for a market economy, the country was hit by the financial crisis in 1998 in the Russian Federation, a major trading partner, a serious drought and rising prices for imported energy, on which the country is heavily dependent. In addition, the Government's lack of control of the separatist Transnistria region has had a serious impact on the economy and government revenues. In addition to security concerns, the region accounts for about 30 per cent of the country's industrial base. The lack of control of the region has also meant the loss of an estimated 25 per cent of revenues and other losses through illegal activities. As a result of the situation in the Transnistria region, there are now over 200,000 internally displaced persons in the Republic. Although there were some modest signs of improvement since 1998 and the Government hoped for growth of 3 to 5 per cent in the gross domestic product (GDP) in 2001, the Republic of Moldova was heavily dependent on international assistance, qualifying for concessional loans from the World Bank and the International Monetary Fund (IMF).

42. Despite its problems, the Republic of Moldova indicated its commitment to meeting its obligations to the United Nations. In this connection, it pointed out that its arrears resulted from an unfair redistribution of the assessments of the former Union of Soviet Socialist Republics. It indicated that it would pay the amount of its regular budget assessment for 2001 by 30 June 2001 and submitted the following schedule of payments to cover its remaining assessed contributions to the United Nations:

2001	US$ 180 000
2002	US$ 500 000
2003	US$ 800 000
2004	US$ 820 000
2005	US$ 1 000 000

43. The Committee noted the continuing serious problems faced by the Republic of Moldova. It also noted that the Republic of Moldova had the lowest per capita GDP in the region and that 60 per cent of the population had an income of less than $2 per day. It also noted the country's high level of debt, over 120 per cent of GDP, and the recent downgrading of its international credit rating. The Committee

welcomed the Republic of Moldova's commitment to the elimination of its arrears to the United Nations and noted its proposed schedule of payments. The Committee noted that payments totalling just over $160,000 had been received by June 2001.

44. **Based on its review of the information provided, the Committee concluded that the failure of the Republic of Moldova to pay the full minimum amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It therefore recommended that the Republic of Moldova be permitted to vote until 30 June 2002.**

IV. Measures to encourage the timely, full and unconditional payment of assessed contributions

45. In its resolution 55/5 A, the General Assembly, inter alia:

> "7. *Requests* the Committee on Contributions to consider further the indexation of arrears, interest on arrears, multi-year payment plans, early reimbursement to troop-contributing countries and further suggestions for measures to encourage the timely, full and unconditional payment of assessed contributions, taking into account the experience with incentives and sanctions for the payment of assessed contributions of other United Nations organizations and other multilateral and regional organizations, and to report thereon to the General Assembly at its fifty-sixth session;".

In that connection, the Committee recalled its earlier consideration of measures to encourage the timely, full and unconditional payment of assessed contributions at its fifty-ninth and sixtieth sessions, the results of which are reflected in its reports.[5] In reviewing this question, the Committee was provided with information on some multi-year payment plans, incentive and disincentive measures applied by organizations of the United Nations system and other multilateral and regional organizations. This information is contained in an addendum to the present report.

A. General issues

46. The Committee noted that implementation of a number of the specific measures considered in this connection would be tied to timely payment of assessed contributions. At present, this is defined by financial regulation 5.4, which provides that:

> "Contributions and advances shall be considered as due and payable in full within thirty days of the receipt of the communication of the Secretary-General referred to in regulation 5.3 above, or as of the first day of the calendar year to which they relate, whichever is the later. As of 1 January of the following calendar year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears".

47. Should the General Assembly decide to proceed with one or more of the measures proposed to encourage the timely, full and unconditional payment of assessed contributions, it will need to decide whether to define timely payment in terms of the 30-day due period from the date of the assessment or from 1 January

following the date on which the assessment became due and payable, consistent with the definition of arrears under financial regulation 5.4.

48. Regulation 5.4 relates the definition of timely payment to the date of the receipt of the Secretary-General's communication regarding the assessment. As many assessments are issued to Member States in the course of each year, it is not feasible to determine the exact date on which each arrives. In addition, the application of multiple dates for each assessment would seriously complicate administration of the measures. In this connection, the Committee recalled that, at its fifty-ninth session, it concluded that it might be prudent to fix the deadline for timely payment of assessments from the date of issuance of the assessments rather than from the date of their receipt. **It suggested that this could be accompanied by a short extension of the deadline, perhaps from 30 to 35 days. It noted that such a change would require a revision of the financial regulations and rules of the United Nations and that there would need to be some provision for the treatment of timely but misdirected payments or those that come to the attention of the Secretariat late even though paid on time.**

49. The Committee noted that the Organization maintained separate accounts for the regular budget, the international tribunals and most of the peacekeeping operations. **As regards full payment, the Committee agreed that it would be necessary for the General Assembly to decide, for particular measures, whether this related to all assessed contributions or would be applied on an account-by-account basis.**

B. Specific measures

50. The Committee recalled that it had considered a number of possible measures to encourage the timely, full and unconditional payment of assessed contributions at its fifty-ninth session. At its sixtieth session, it considered the matter further in the light of its earlier review and the provisions of General Assembly resolution 54/237 B. At that time, it was noted that a number of the measures were either beyond the terms of reference of the Committee or raised serious political questions for which the guidance of the General Assembly would be required. Accordingly, the Committee decided at its sixtieth session to consider further at its sixty-first session the possibility of indexation of or interest on arrears, multi-year payment plans and the new assessed fund suggested earlier by one of its members. In its resolution 55/5 A, the General Assembly requested the Committee to consider further the possibility of indexation of or interest on arrears and multi-year payment plans, as well as early reimbursement of troop-contributing countries and further suggestions for measures to encourage the timely, full and unconditional payment of assessed contributions. In its consideration of this matter, the Committee focused on the five measures identified for further study by the General Assembly and by the Committee itself.

1. Indexation of and interest on arrears

51. Members of the Committee had divergent views on the merits of applying either indexation or interest to the arrears of Member States. Some members felt that such measures would compensate the Organization for loss of purchasing power or income due to late payment of assessed contributions respectively and would tend to

encourage earlier payments. Other members felt that either approach would in fact be more likely simply to increase arrears. In addition, several members questioned whether it was justified for the Organization to impose either type of charge on Member States when it owed significant amounts to Member States that contributed troops and equipment to peacekeeping operations and did not provide equivalent compensation to them.

52. Should the General Assembly decide to impose indexation or interest charges on the arrears of Member States, some members felt that these measures should be regarded as alternatives, since they would both involve adding a charge to the outstanding assessed contributions of Member States. Other members felt that both could be applied. In that event, it was suggested that indexation should apply from the due date, while interest should be levied on arrears, as defined in financial regulation 5.4. Several members suggested that neither indexation nor interest charges should be applied to the arrears of certain categories of Member States, including the least developed countries, the most highly indebted developing countries and Member States with exemptions under Article 19.

53. Several members felt that indexation of arrears was conceptually preferable and could be viewed as compensation to the United Nations for loss of purchasing power, rather than as a penalty for Member States. Other members, however, emphasized the practical difficulties of implementing the proposal. In particular, they pointed to the difficulty of finding an appropriate index to apply to arrears to the United Nations, given the particular and diverse nature of its activities.

54. Due to these difficulties, several members considered that the imposition of interest charges would be a more practical way to proceed, should the General Assembly decide to pursue these proposals. The Committee therefore focused its attention on issues related to the charging of interest on arrears.

55. Several members expressed the view that whatever charges were imposed should only be levied on arrears arising after their introduction, and not retroactively on earlier arrears. In this context, however, the Committee noted the practical problem posed by financial regulation 5.6, which provides that payments made by a Member State shall be credited first to the Working Capital Fund and then to the contributions due, in the order in which the Member State was assessed. The effect of this would be that, while charges would only accrue on arrears arising after the introduction of the new charge or charges, payments would be applied first to the "old arrears" on which charges are not levied. As a result, until the "old arrears" were eliminated, the "new" arrears, on which charges would be levied, would grow.

Conclusions and recommendations

56. **The Committee recalled that at its fifty-ninth session it had noted that, should the General Assembly consider it desirable that interest or indexation charges should be included in the assessments of Member States, such a decision should make it clear that the revised amount is the new assessed contribution and thus subject to Article 19. Such a decision would have to be effected through an amendment to financial regulation 5.2, which defines assessments and how those assessments are to be adjusted.**

57. **The Committee concluded that, should the General Assembly decide to introduce indexation of or interest on arrears, indexation of arrears would pose more complex technical issues than would the imposition of interest.**

58. **The Committee agreed that, if the General Assembly decided to introduce interest charges on arrears, the rate should be fixed at a low level. It also agreed that the introduction of such a measure should be delayed to allow Member States to make appropriate adjustments.**

59. **The Committee concluded that, should the General Assembly decide to impose interest on arrears of Member States, this should be done only with regard to arrears arising after the adoption of the decision. The Committee noted that this would require a review of the financial regulations.**

60. **The Committee decided to consider this question further at its sixty-second session in the light of any guidance from the General Assembly. In that context, it agreed that issues to be addressed would include:**

(a) The date from which indexation or interest charges would accrue;

(b) The index or interest rate that should be applied;

(c) The periodicity of indexation or interest charges — for example, one year;

(d) The basis on which the charge would be calculated;

(e) Whether the charges would be compounded in the event of continued non-payment;

(f) The appropriate use for income from indexation or interest charges.

2. Multi-year payment plans

61. The Committee recalled that it had considered the question of multi-year payment plans to eliminate arrears on a number of occasions.

62. The Committee noted that such plans were a feature of other organizations of the United Nations system, in which they were often linked to the application of the equivalent of Article 19 of the Charter. While some members felt that a similar link could be made in the United Nations, some questioned the legality of such a link. Some members also suggested that payment plans could be linked to the non-application of other prospective measures, such as indexation or interest charges, should the General Assembly decide to introduce them.

63. The Committee recalled that two of the Member States requesting an exemption under Article 19 had submitted payment schedules and that the third indicated that it would consider doing so. **The Committee agreed that payment plans can be a useful tool for reducing the unpaid assessed contributions of Member States. Such plans should involve payment each year of the amount of the current year's assessments and a part of prior years' arrears and could be the subject of prior discussions between the Member States concerned and the Secretariat. The Committee therefore recommended that the General Assembly, on the basis of a report from the Secretary-General putting forward proposed guidelines for such plans, take a decision on the matter.**

3. Early reimbursement of troop-contributing countries

64. Among the measures that the General Assembly had requested the Committee on Contributions to consider further is the issue of the early reimbursement of troop-contributing countries. The Committee agreed that earlier reimbursement by the United Nations of amounts owed to troop-contributing countries could well have a positive impact on the payment by Member States of their assessed contributions. Some members, however, noted the difficult financial situation facing peacekeeping operations due to the late payment or non-payment of peacekeeping assessments and considered that early reimbursement of troop-contributing countries could only be realized if the financial resources to do so were available.

65. Some members understood the General Assembly's request to relate to the idea that only those Member States which are current in their payments to the United Nations should be given priority in reimbursement of troop and equipment costs. Other members, however, did not agree to this interpretation. As was the case during the Committee's earlier consideration of this proposal at its fifty-ninth session, members had divergent views on this proposal, with some feeling that it could promote more timely payment of assessed contributions and others expressing opposition to the idea. Others felt that it would be inappropriate to penalize Member States that volunteered to participate in the peacekeeping activities of the Organization by delaying payment of amounts owed to them as a result. It was suggested that such a policy might also discourage some Member States from contributing to peacekeeping operations.

66. **The Committee agreed that it will consider the matter further at a future session on the basis of further guidance from the General Assembly.**

4. New assessed fund

67. The Committee recalled that, during its fifty-ninth session, one of its members had proposed the establishment of a new assessed fund in which the contributions of each Member State would depend on its payment record. The greater a Member State's level of past due contributions, the relatively greater would be its contribution to the new fund. Payments by each Member State would be credited first to the new fund and then to contributions due, similarly to the provisions of financial regulation 5.6 with respect to the Working Capital Fund. Although the purpose of the new fund was not spelled out in detail in the proposal, it seems clear that it would act as a supplementary source of liquidity, thereby supporting the Working Capital Fund and the Organization's other reserves.

68. **The Committee felt that the proposal was overly complicated and was unlikely to prove effective in encouraging timely, full and unconditional payment of assessed contributions. The Committee therefore decided not to consider the proposal further.**

5. Further suggestions for measures to encourage the timely, full and unconditional payment of assessed contributions

69. The Committee recalled that, at its fifty-ninth session, it had considered the following other possible measures:

(a) Crediting budgetary surpluses only to Member States that are current with their financial obligations to the Organization;

(b) Incentive payments keyed to the payments status of Member States;

(c) Redeemable peacekeeping certificates;

(d) Ineligibility for election to committees and other bodies;

(e) Restricting access of citizens and companies of Member States in arrears to opportunities for recruitment and procurement.

70. The Committee recalled its observations in its report on its fifty-ninth session[6] on the proposal to credit surplus balances only to Member States that are current with their financial obligations to the Organization. In this connection, the Committee noted that unencumbered or surplus balances under the regular budget were returned to Member States through a corresponding reduction of the overall level of a subsequent assessment, while surpluses arising in peacekeeping accounts were typically allocated among individual Member States. The Committee also noted that these surpluses often did not reflect cash resources due to the late payment or non-payment of assessed contributions for peacekeeping operations.

71. Some members considered that this proposal could encourage more timely payments of assessed contributions. Others had doubts about its justification and effectiveness. **The Committee decided to consider the question further at a future session, and in particular the technical issues raised in paragraph 67 of its report on its fifty-ninth session,[7] in the light of any guidance from the General Assembly.**

72. As regards incentive payments keyed to the payments status of Member States, as referred to in the addendum to the Committee's report, some members expressed interest in the idea as a way to encourage prompter payment of assessed contributions. Others were opposed to the idea of rewarding Member States for meeting their financial obligations under the Charter. The effectiveness of the measure as an incentive was also questioned. **The Committee agreed that it could consider the matter at a future session on the basis of any guidance from the General Assembly.**

73. The Committee recalled that, in its resolution 54/237 B, the General Assembly decided that the Committee on Contributions should not consider further the question of redeemable peacekeeping certificates.

74. The Committee recalled that, in an earlier opinion, the Legal Counsel had concluded that the proposal that Member States in arrears should be ineligible for election to committees and other bodies is not a sanction provided for in the Charter and would therefore not be in keeping with Article 19. **In view of the legal and political issues involved, the Committee decided to consider this proposal further only if the General Assembly requested it to do so.**

75. **The Committee reaffirmed the serious doubts that had been expressed at its fifty-ninth session as to whether the proposal to restrict the access of Member States in arrears to opportunities for recruitment and procurement fell within its terms of reference, raising as it did a variety of complex issues outside the Committee's area of competence.**

V. Methodology for the preparation of future scales of assessments

76. The Committee noted that, in its resolution 55/5 B, the General Assembly decided on elements and criteria as the basis for the scale of assessments for the period 2001-2003. These were enumerated in paragraph 1 of the resolution. The General Assembly also decided that those elements will remain fixed until 2006, subject to the provisions of resolution 55/5 C, in particular paragraph 2 on the ceiling, and without prejudice to rule 160 of the rules of procedure of the General Assembly.

77. **In the light of this decision, the Committee, while recognizing its continuing general mandate under rule 160 of the rules of procedure of the General Assembly, decided to focus its attention on technical issues that are not addressed in paragraph 1 of resolution 55/5 B and which will be of importance for its review of the next scale of assessments. In the context of its review of these issues, the Committee expressed its appreciation to the Statistics Division of the Secretariat for the support which it provided to the Committee's work and emphasized the importance of adequate resources being made available to the Division for this purpose.**

78. The Committee also recalled that, in its resolution 54/237 D, the General Assembly, inter alia,

> "5. *Requests* the Committee on Contributions, in the context of and with a view to improving the current methodology, to examine and report to the General Assembly the consequences of the sharply depressed levels of primary commodity prices in the international markets on commodity-dependent economies, and also the impact on those countries whose economies have the burden of hosting refugees."

A. Consequences of the sharply depressed levels of primary commodity prices in the international markets on commodity-dependent economies

79. The Committee considered a report on the consequences of the sharply depressed levels of primary commodity prices in the international markets on commodity-dependent economies, which provided information on the evolution of primary commodity prices since 1970 and their impact on the foreign exchange earnings of commodity-dependent countries' foreign exchange earnings during the period from 1995 to 2000. They also heard a presentation from a representative of the Department of Economic and Social Affairs.

80. The Committee agreed that the issue of commodity prices was of great importance to a number of Member States. Even with considerably more work, however, it was not clear how this factor could fit in the scale methodology, which, in any case, had been frozen until 2006. In addition to conceptual problems, such as the Committee's imprecise mandate in this regard, the definition of groups and a possible double counting as this factor affects the level of gross national product (GNP), it is not clear that sufficient and compatible data is available to study this

issue comprehensively. **The Committee will not consider the matter further unless the General Assembly requests it to do so.**

B. Socio-economic impact of hosting refugees

81. The Committee reviewed this subject on the basis of information provided by the Office of the United Nations High Commissioner for Refugees (UNHCR). The Committee also heard a presentation by a representative of UNHCR.

82. The Committee recognized that refugee flows placed a serious burden on the host countries, in particular those which are among the least developed countries, including on their economic, social and transport infrastructure. It could also strain their food supplies and cause serious environmental damage. Members expressed deep sympathy with the countries facing this situation and agreed that the matter should be kept under review for future study.

83. **The Committee recognized the gravity of this problem but noted that there was a serious lack of specific data. The Committee encouraged relevant organizations, including UNHCR, the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme, to fill this gap and decided to review the question again when more specific and detailed information was available. While the Committee was of the view that it was difficult to take this factor into consideration in the scale methodology at the present stage, the Committee will continue to take it into account when it reviews requests for exemption under Article 19.**

C. National accounts data

84. The Committee was informed of progress in the implementation of the 1993 System of National Accounts (SNA). The Committee noted that a large number of countries still used the SNA of 1968 or earlier. It also noted that the United Nations could not compel Member States to adopt the new system, although it was informed that the number of countries reporting under the 1993 SNA had risen from about 50 during the Committee's sixtieth session to about 70 during its sixty-first. The Committee noted that concerns about the comparability of data using different systems of national accounts had been raised during the Fifth Committee's consideration of the scale. While the Committee on Contributions shared those concerns, it recalled that, at its sixtieth session, it had decided that greater weight should be given to the use of the most updated and reliable data available for Member States, rather than the most conceptually comparable. It was informed that a large part of the differences in data using the new SNA related to new benchmark studies and data sources, rather than conceptual differences.

85. **The Committee decided to keep this matter under review. It encouraged all Member States to consider adopting the 1993 SNA and stressed the fact that a prompt response to the National Accounts Questionnaire would ensure that the fullest and most accurate information is available for the preparation of the next scale of assessments.**

D. Conversion rates

86. The Committee noted that, in paragraph 1 of its resolution 55/5 B, the General Assembly decided that conversion rates should be based on market exchange rates (MERs), except where that would cause excessive fluctuations and distortions in the income of some Member States, when price-adjusted rates of exchange (PAREs) or other appropriate conversion rates should be employed, taking due account of General Assembly resolution 46/221 B. The Committee recalled that the General Assembly also decided that the elements of the scale contained in paragraph 1 of resolution 55/5 B will be fixed until 2006.

87. The Committee recalled that the question of how to identify which MERs cause excessive fluctuations and distortions in the income of Member States and the appropriate alternative rates to apply in those cases had been a major focus of its discussion at its sixtieth session and of the subsequent debate on the scale in the Fifth Committee. Notwithstanding the General Assembly's decision to fix the elements of the scale methodology until 2006, the question of exchange rates will need to be addressed in preparing for the next scale of assessments.

88. The Committee recalled that, at its fifty-ninth and sixtieth sessions, it had considered reports from the Statistics Division on a new approach to PAREs. The Committee recalled that it had concluded that the revised PARE method held considerable promise of an improvement over the current PARE method, and decided to consider it further at its future sessions. The Committee conducted a further extensive review of the matter at its current session on the basis of additional information from the Statistics Division.

89. The Committee was informed that the current PARE method uses a simple extrapolation from a base year, selected using the average exchange rate and price index for the period for which data is available. The method is thus crucially dependent on the selection of the base year and no factors other than prices can be accommodated. The base period for the current PARE calculation for a particular Member State may well be different from that for the revised PARE method and for the SNA for that Member State, as well as for other countries. The current PARE extrapolates the average exchange rate for the period considered to other years with the help of an index for prices based on the average for the period.

90. The revised PARE method, by contrast, is based on a regression analysis between price and exchange rate observations over a long time period, 30 years in most cases. The base years for the revised PARE are the points where the actual price/exchange rate line intersects the revised PARE regression line. Its selection of the base year is based on the actual price/rate regression and is not based solely on an assumed price/rate ratio. By use of confidence intervals around the regression line, it is also possible to identify years for which the MER diverges significantly from the revised PARE. The Committee was also informed that, by contrast with the current PARE method, the revised PARE method can accommodate factors other than prices.

91. Some members considered that the revised PARE method was clearly superior to the current PARE method as it did not depend so crucially on the selection of a base year and it identifies a reasonable band for price movements. In their view, the Committee should adopt the revised PARE method in implementing the General Assembly's decision concerning the methodology for the next scale of assessments.

Some members saw the merits of accommodation of other factors in addition to prices, while other members were of the view that the General Assembly's instructions did not require the Committee to adjust for factors other than price changes.

92. Some members expressed doubts as to the use of price/rate relationships going back to the 1970s and felt that further study was required. Some others were of the opinion that the revised PARE method, while apparently a useful statistical tool for certain purposes, was excessively complex for the relatively simple task of adjusting a few exchange rates. A distinction was drawn between excessive fluctuations and distortions in income caused by conversion rates, as specified in resolution 55/5 B, and distorted exchange rates. It was thus necessary first to identify which Member States had incomes experiencing excessive fluctuations and distortions due to use of MERs and then to determine the best alternative rate.

93. **The Committee decided to consider the revised PARE method further at its sixty-second session, with a view to agreeing on an approach for the next scale to the issue of identifying excessive fluctuations or distortions in income caused by the use of market exchange rates (MERs) and choosing the most appropriate alternative conversion rate. In this connection, the Committee requested the Statistics Division to provide a further report on the subject, including on approaches to special cases for which both PARE methods had limitations.**

VI. Assessment of non-member States

94. The Committee recalled that, at its fifty-ninth session, it decided to consider the question of the assessment of non-member States further at its sixty-first session.

95. The Committee noted that, since its last review of rates of participation of non-member States in 1998, all but two of the non-member States reviewed had become Members of the United Nations. The Committee also noted that the Government of Switzerland had made membership of the United Nations a priority of its current legislative period and had forwarded a bill to that effect to its Parliament. It was anticipated that a referendum on the subject would be held during 2002. The Committee further noted that there was no dramatic change in the level of participation of the two non-member States in the work of the United Nations.

96. **Accordingly, the Committee decided to defer further consideration of this question to its sixty-third session, in 2003, which would also conform to the normal quinquennial review cycle. The Committee requested the Secretariat to consult with the non-member States prior to that review on a possible simplified methodology for the assessment of non-member States.**

97. **The Committee noted with concern that four Member States (Democratic People's Republic of Korea, Kiribati, Tonga and Viet Nam) still had outstanding non-member State contributions that were assessed prior to their membership in the Organization. It requested the Chairman to seek an opinion from the Legal Counsel for its sixty-second session about the possibility of adding Members' non-member State arrears to their Member State arrears.**

VII. Appeals by Members for a change of assessments

A. United Arab Emirates

98. The Committee had before it the text of a letter dated 7 May 2001 from the President of the General Assembly addressed to the Chairman of the Committee on Contributions transmitting a letter dated 3 May 2001 from the Permanent Representative of the United Arab Emirates to the United Nations, to which was attached a letter dated 27 February 2001 from the Permanent Representative addressed to the Secretary-General. The Committee also had before it the reply of the Under-Secretary-General for Management to the letter from the Permanent Representative to the Secretary-General. The Committee also heard an oral representation by the Chargé d'affaires of the United Arab Emirates to the United Nations.

99. The United Arab Emirates brought to the Committee's attention GNP and population statistics for the period from 1990 to 2000. It also pointed out that, owing to a large number of foreign workers and companies, a significant portion of the country's income was remitted abroad. On this basis, it requested that the Committee review its contribution to the regular budget and to the peacekeeping budget and make the necessary reductions in those rates of contribution.

100. The Committee noted that the scale of assessments for the period 2001-2003 had been based on data for the period 1993-1998 and that later data would be reflected in the scale of assessments for the period 2004-2006, which would be considered by the General Assembly and the Committee on Contributions in 2003. The Committee also noted that the GNP data for the period 1993-1998 was essentially the same as that which had been used in the preparation of the current scale. Differences in population data would not have had a material effect on the rate of the United Arab Emirates in the machine scales underlying the final scale of assessments. The Committee also noted that at least part of the remittances of foreign workers and companies was already included in GNP data and that the country received significant amounts of property and entrepreneurial income from the rest of the world.

101. The Committee recalled that rule 160 of the rules of procedure of the General Assembly provides that the scale of assessments, when once fixed by the General Assembly, shall not be subject to a general revision for at least three years unless it is clear that there have been substantial changes in relative capacity to pay. **The Committee concluded that these conditions did not apply and was therefore not in a position to recommend a change in the rate of assessment of the United Arab Emirates. It took note of the information provided, however, and encouraged the United Arab Emirates to ensure that full and accurate data was available to the Statistics Division before the next consideration of the scale in 2003.**

B. Afghanistan

102. The Committee had before it the text of a letter dated 26 June 2001 from the President of the General Assembly to the Chairman of the Committee on Contributions, transmitting a letter dated 25 June 2001 from the Chargé d'affaires

a.i. of the Permanent Mission of Afghanistan to the United Nations, in which he requested a reduction of his country's rate of assessment.

103. **Taking into account the principle underlying the procedure established by the General Assembly in paragraph 4 of its resolution 54/237 C, the Committee decided that it would not be able to undertake a complete review of Afghanistan's request in the time available to it. The Committee therefore decided to take no action on the request.**

VIII. Other matters

A. Collection of contributions

104. The Committee noted that, at the conclusion of the current session on 28 June 2001, the following nine Member States were in arrears in the payment of their assessed contributions to the expenses of the United Nations under the terms of Article 19 of the Charter and had no vote in the General Assembly: Central African Republic, Guinea, Guinea-Bissau, Iraq, Liberia, Niger, Seychelles, Somalia and Uzbekistan. In addition, the following seven Member States were in arrears in the payment of their assessed contributions under the terms of Article 19 but had been permitted to vote in the Assembly until 30 June 2001 pursuant to General Assembly resolution 55/5 A: Burundi, Comoros, Georgia, Kyrgyzstan, the Republic of Moldova, Sao Tome and Principe and Tajikistan. **The Committee decided to authorize its Chairman to issue an addendum to the present report, as necessary.**

B. Payment of contributions in currencies other than United States dollars

105. Under the provisions of paragraph 3 (a) of its resolution 52/215 A of 22 December 1997, the General Assembly authorized the Secretary-General to accept, at his discretion and after consultation with the Chairman of the Committee on Contributions, a portion of the contributions of Member States for the calendar years 1998, 1999 and 2000 in currencies other than United States dollars.

106. The Committee noted that the Secretary-General had accepted the equivalent of $976,276.02 from Cyprus and Pakistan in two non-United States dollar currencies acceptable to the Organization in 2000.

C. Supplementary reports

107. **The Committee decided to authorize its Chairman to issue an addendum to the present report, if necessary, to provide supplementary information that may assist the General Assembly in considering the Committee's report. The Committee noted the Chairman's intention to consult members of the Committee in this regard should the need to issue an addendum arise.**

D. Date of next session

108. **The Committee decided to hold its sixty-second session in New York from 3 to 21 June 2002.**

Notes

[1] See *Official Records of the General Assembly, Fifty-third Session, Supplement No. 11* (A/53/11), chap. III; Ibid., *Fifty-third Session, Supplement No. 11A* (A/53/11/Add.1); Ibid., *Fifty-fourth Session, Supplement No. 11* (A/54/11), chap. IV, sects. A and B; Ibid., *Fifty-fifth Session, Supplement No. 11* (A/55/11), chap. IV.

[2] A/55/789.

[3] A/55/521/Add.2 and A/C.5/55/SR.57, para. 5.

[4] See *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 11* (A/55/11), para. 15.

[5] See *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 11* (A/55/11), chap. IV, sect. C and ibid., *Fifty-fifth Session, Supplement No. 11* (A/55/11), chap. III.

[6] See *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 11* (A/55/11), paras. 66-68.

[7] Ibid., *Fifty-fourth Session, Supplement No. 11* (A/54/11), para. 67.

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